

**State Employee Benefits Advisory Council Meeting  
February 22, 2012  
Statewide Benefits Office  
Dover, Delaware**

The State Employee Benefits Advisory Council met on February 22, 2012 in the Statewide Benefits Office, 500 W. Loockerman St., Suite 320, Dover, Delaware. The following Council members and guests were present:

Brenda Lakeman, OMB, SW Benefits, Director  
Faith L. Rentz, OMB, SW Benefits  
Deputy Director  
Pat Griffin, Chair, SEBAC, AOC  
Marsha Carson, SEBAC, DOS  
Frederika Jenner, DSEA

Mary Cooke, SEBAC, DOE  
Judy Anderson, DSEA  
Ann P. Skeans, OMB, SW Benefits  
Dawn Davis, OMB, SW Benefits  
Mary Thuresson, OMB, SW Benefits

Ms. Lakeman called the meeting to order at 3:03 p.m. She introduced her new Secretary, Dawn Davis. Introductions around the room followed.

**Approval of Minutes – (handout)**

Ms. Lakeman asked members to review the prior meeting minutes from January 26, 2012 and then requested a motion for approval. Ms. Cooke made the motion and Ms. Carson seconded the motion. Upon unanimous voice vote the minutes were approved.

**Update of SEBC Activities**

Ms. Rentz noted that at the January 30<sup>th</sup> SEBC meeting a court reporter was present. SEBC members were given red line versions of the Disability Rules and Regulations that incorporated the written and our office's recommended changes coming from that comment process. Questions were answered. There was no public comment. The changes were approved and should be published in the Register of Regulations on March 1<sup>st</sup>.

The Fund and Equity Report for December was reviewed. There were no questions. SEBC was then introduced to topics related to FY13. A power point presentation was presented. Reference copies were distributed to SEBAC members and then Ms. Rentz gave details and answered questions about its content. A reminder was given to the SEBC about House Bill 81 that detailed the cost share changes that go into effect July 1, 2012. SEBC cannot modify it. Employee contributions will go up and the state share will go down. The number of employees in each plan was discussed.

How expenses have been funded was shown to keep them mindful of what happens when they use "one time" funds, meaning they are not available later. This creates a bigger gap down the road. The plan rates are available on the Statewide Benefits web site.

The EGWP was explained in detail. It will cover the enrolled retirees who are over 65 and enrolled in Medicare as primary. There will be much behind the scenes work and many communications to ensure members understand the changes. Their benefits will be much like what they have today. Some of retirees present at the January 30<sup>th</sup> SEBC meeting had questions and concerns. The Statewide Benefits Office invited those attendees to a separate meeting that gave them the opportunity to ask questions. Afterwards, they appeared satisfied and comfortable with the proposed plan.

Costs and formularies have been compared. The member's plan design will not change. The same tiers and co-pays remain. Some may see a decrease in their co-pay if their annual expenses exceed the coverage gap. The wrap will cover any formulary disruptions as well as anything Medicare D doesn't cover. The effective date will be January 1, 2013. Communications will be sent to inform those affected that their enrollment in the EGWP is automatic; however, they have the option to opt out. The program will run on a calendar year in order for the Group Health Insurance Program to maximize savings available through federal reimbursements. There are a very small number of members who will need new authorizations for their medications and these members will still have the ability to obtain an initial 30 day supply to carry them over until their new authorization is obtained. It was pointed out that the over 65 pensioners who are veterans will no longer be able to present their Medco prescription card at VA pharmacies. Concerning high earners, it will be up to the SEBC to decide if they want to reimburse them. For low income pensioners, additional reimbursements may apply; however, these funds are likely to go to the Group Health Insurance Program due to the portion of the claims being paid by the program rather than the pensioner.

In an effort to communicate the changes, the Statewide Benefits Office anticipates conducting education meetings at various locations throughout the state beginning October 2012. There will be other resources too and it was explained that as part of Medco's contract they will administer the EGWP. Once SEBC votes on the EGWP, Medco will be informed. There will be additional savings of \$8M over the \$10.5M the state already receives from the Retiree Drug Subsidy (RDS). This will result in a significant reduction in the State's Other Post Employee Benefits (OPEB) liability. This also helps the state maintain its AAA Bond Rating and obtain better interest rates for money it borrows. Every year the state gets \$8M to \$10M in RDS. Per Ms. Rentz we have a \$500M required annual contribution to OPEB and EGWP can reduce it by \$100M.

Questions about prior authorizations, how the "wrap" affects step therapy and quantity limits were answered. A chart on medications will be published. EGWP is a cost saving opportunity for the state that will continue forward. A reminder was given that benefits are not guaranteed. Ms. Jenner asked that she be invited to any future meetings scheduled with the retirees. Another meeting concerning how to reach out and do communications to retirees will be needed. The oldest retirees are the hardest to reach. It was stressed that a call center will be needed. There were no votes on the FY13 planning at the January 30<sup>th</sup> SEBC.

There will be a Proposal Review Committee (PRC) meeting on February 24<sup>th</sup> at 1 p.m. concerning recommendations for the Medical Plan Administration Request for Proposals. It will be voted on at the SEBC meeting to be held at 2:00 p.m. on February 24<sup>th</sup>. Ms. Cooke asked if a member of SEBAC could also be a member of the PRC. It was explained that members of the PRC are representatives of each SEBC member. To date there has not been discussion about this. Ms. Lakeman will have to talk with our Deputy Attorney General to see if the makeup of the PRC could be modified. The PRC recommendations could be discussed in a SEBAC Executive Session, which would help SEBAC to make an informed comment. Discussion led to Ms. Griffin stating that SEBAC could be more effective in making recommendations to the SEBC if aware of the PRC's findings and recommendation in advance, and if it has access to other information that the SEBC may be voting on during or prior to the SEBAC meeting.

Details were given for each topic on the February 24<sup>th</sup> SEBC Meeting Agenda (handout). The Director's Report will inform that the two additional requests for \$1.2M and \$1.6M to Health and Human Services (HHS) for ERRP monies will not be reimbursed due to unavailability of funding. As plans substantiate

claims, some may not be able to and that could free up money in the future. At this point, it is being advised that the SEBC not count on any additional reimbursements. To date \$12.4M has been received. Of that, \$9.5 was committed to fill the gap for FY12, leaving \$2.9M as available funding to use for FY13 planning. The January Fund and Equity report has a \$49M balance, which is down from \$49.4 from December. There will be no votes requested for any FY13 planning at the February 24<sup>th</sup> SEBC meeting.

For House Bill 81 rate changes, there is a handout showing new employee/retiree contributions. There will be discussion on the impacts to the employee/employer share. SEBC will be presented with several options regarding changes to the rates for FY13.

Two items about prescription drug costs will be discussed. Management of medications for Hepatitis C and Arthritis drugs will be explained. The changes will help people to get the most effective drugs for their conditions, while saving money for the state. Prescription co-pays for employees have not increased since 2005. Members pay less of the cost share because costs of the medications have risen. Per Medco, other government entity employees are paying an average of 18 percent cost share, while our employees only pay 13.5 percent of the cost share. It will be suggested we increase the employee cost share, but not all at once. There is potential for up to \$10M in savings. By increasing formulary co pays and adjusting generic co pays down, further savings of \$1M to \$2M can be obtained as generic utilization increases.

A detailed report on DelaWELL will be given. Program and financial results from the prior year and what is planned for next year will be presented. Details were given.

SEBC will be asked to vote on the Medical RFP recommendation and the EGWP. Discussion followed about how the veterans will be affected. It was explained that they will still get their medications at the same co-pays, but need to use Medco by mail or a participating retail pharmacy.

Upon request, concerning the Medical RFP, Ms. Lakeman was able to tell SEBAC the names of companies who submitted proposals. It was noted that everyone interviewed had to be able to replicate the services/benefits already in place, as well as handle an EGWP. Extent of disruption with providers, network discounts and administration fees are primary factors in the review process.

### **SEBAC Comment to SEBC**

SEBAC supports transitioning Medicare eligible state retirees to an Employer Group Waiver plan with wrap around coverage because of the benefits of cost savings to the state, with the condition that any negative impact on veterans be monitored and minimized to the extent possible.

SEBAC enthusiastically endorses the proposed changes to the DelaWELL Program relating to incentive structure, particularly Weight Watchers and tobacco cessation.

### **Other Business**

None.

**Public Comment**

None.

Ms. Lakeman reminded SEBAC there would be a public PRC meeting Friday, February 24<sup>th</sup> at 1 p.m., Legislative Hall, the Controller Generals Conference Room.

Ms. Griffin asked for a motion to adjourn. Ms. Carson made the motion and Ms. Cooke seconded the motion. Upon a unanimous verbal approval the meeting adjourned at 5:05 p.m.

Respectfully submitted,

Mary Thuresson  
Administrative Specialist  
Statewide Benefits Unit, OMB